

Message Text

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INFO AMCONSUL MUNICH

AMEMBASSY MOSCOW

AMCONSUL KRAKOW UNN

AMCONSUL POZNAN UNN

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EGEN EAGR PL

SUBJ: MEAT: THE PROBLEM THAT WON'T GO AWAY

1. SUMMARY: TO KEEP THE MEAT SITUATION FROM GETTING WORSE, THE REGIME HAS CUT BACK ON EXPORTS AND IS PURCHASING SIGNIFICANT AMOUNTS OF MEAT ABROAD. EVEN THE MOST OPTIMISTIC GOP SPOKESMEN EXPECT THE PROBLEM TO REMAIN A SERIOUS ONE, NO MATTER HOW FAST LIVESTOCK NUMBERS ARE REBUILT. UNLESS PRICES ARE INCREASED SHARPLY IN CONJUNCTION WITH A REALIGNMENT OF THE RELATIVE PRICES OF PORK AND POULTRY, NO AMOUNT OF MEAT ON THE MARKET IS LIKELY TO BE ANOUGH TO MEET THE EVER-RISING DEMANDS OF POLISH CONSUMERS. END SUMMARY.

2. THE AVAILABILITY OF FRESH -- ESPECIALLY THE BELOVED FRESH PORK -- WILL PROBABLY BE ONE OF THE MOST PRESSING ISSUES FACING THE REGIME OVER THE FORESEEABLE FUTURE. THERE IS NO WAY THAT THE PUBLIC'S DEMAND FOR FRESH MEAT CAN BE MET AT CURRENT PRICE LEVELS WITHOUT RESORTING TO A COSTLY -- AN ULTIMATELY UNSUSTAIN-
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ABLE -- LEVEL OF IMPORTS. EXPORTS ALREADY HAVE BEEN REDUCED SO SHARPLY THAT FURTHER CUTS WOULD DO LITTLE TO AUGMENT DOMESTIC SUPPLY. THE GAIN IN PER CAPITA MEAT CONSUMPTION (INCLUDING POULTRY) FROM 55 KILOGRAMS PER YEAR IN 1970 TO ABOUT 70 KILOGRAMS IN 1976 IS ONE OF THE MOST IMPRESSIVE ACCOMPLISHMENTS OF THE GIEREK REGIME. BUT THE FULFILLMENT OF THE COMMITMENT TO IMPROVE THE DIET OF THE AVERAGE POLE HAS BEEN ACHIEVED AT LARGE

AND GROWING FINANCIAL AND POLITICAL COSTS.

3. THE COST OF GRAINS AND VEGETABLE PROTEINS IMPORTED TO SUPPORT THE EXPANSION OF LIVESTOCK NUMBERS IS THE MOST VISABLE OF THESE PRICE TAGS. ACCORDING TO OFFICIAL FIGURES, EXPENDITURES FOR IMPORTED GRAINS AND FOOD SUPPLEMENTS ROSE FROM \$179 MILLION IN 1974 (A RELATIVELY GOOD AGRICULTURAL YEAR), TO \$700 MILLION IN 1975. THE BILL COULD TOTAL \$1 BILLION OR MORE FOR 1976. POLISH AGRICULTURAL DIFFICULTIES COINCIDED WITH POOR YEARS IN THE USSR, TRADITIONALLY A KEY SUPPLIER OF POLAND'S FEED-GRADE GRAINS. THE UNAVAILABILITY OF SOVIET GRAIN ADDED TO THE HARD-CURRENCY COSTS OF PUTTING MORE MEAT ON THE MARKET.

4. A PECULIAR TWIST IN THE PATTERN OF CONSUMER PREFERENCES HAS MADE THIS DIFFICULT SITUATION EVEN WORSE. ALTHOUGH QUICK TO IMITATE MOST OF THE CONSUMPTION PATTERNS OF HIS WESTERN COUNTERPARTS, PARTICULARLY HIS PLETHORA OF GADGETRY--AND ABOVE ALL ELSE HIS LOVE FOR THE AUTOMOBILE--THE POLE HAS BEEN MUCH SLOWER TO CHANGE HIS DIET. BREAD MUST BE PURCHASED DAILY; THE ONLY REAL MEAT IS FRESH PORK. THE QUEUES THE AVERAGE PERSON FACES IN OBTAINING THESE "NECESSITIES" ARE IRRITATING, TO BE SURE, BUT NO MORE SO THAN MANY OTHER ASPECTS OF DAILY LIFE IN POLAND. (COMMENT: LINES ARE NOT SUCH NEGATIVE PHENOMENA IN POLAND AS THEY ARE IN THE WEST. MANY POLES VIEW THEM AS INDICATIONS THAT SOME SCARCE ITEM IS SUDDENLY AVAILABLE, RATHER THAN THAT SOME NORMALLY PLENTIFUL COMMODITY NOW CAN BE SECURED ONLY AFTER A LONG WAIT. GROWING NUMBERS OF POLISH LIMITED OFFICIAL USE

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INTELLECTUALS, HOWEVER, SAY THEY WOULD PREFER PAYING HIGHER PRICES TO WAITING IN LINE FOR MEAT AND OTHER ITEMS. BUT IT IS THE POLISH WORKERS WHOSE STRIKES AND PROTESTS MAKE THE GOVERNMENT TREMBLE, AND THESE WORKERS DO NOT SEEM TO MIND LINES NEARLY AS MUCH AS HIGHER PRICES. END COMMENT).

5. THE FREEZE ON BASIC FOOD PRICES SINCE 1966 HAS CAUSED THE PRICE STRUCTURE FOR MEAT, AS OPPOSED TO MEAT SUBSTITUTES, TO BECOME INCREASINGLY DISTORTED AND OUT OF TOUCH WITH REALITY. CHICKEN AND DUCK, POOR SUBSTITUTES FOR PORK IN THE EYES OF THE POLISH CONSUMER, NOW SELL FOR 54 AND 48 ZLOTYS PER KILO, WHILE THE BETTER CUTS OF PORK COST ONLY 58 ZLOTYS AND BEEF 56 ZLOTYS PER KILO. LOWER PRICED CUTS

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OF PORK AND BEEF ARE EVEN MORE OUT OF LINE WITH POULTRY.
GIVEN THIS PRICE RELATIONSHIP AND THE POPULAR PREFERENCE
FOR PORK, IT IS LITTLE WONDER THAT POULTRY CAN NEARLY
ALWAYS BE FOUND IN ADEQUATE QUANTITIES, WHILE PORK SUPPLIES
ARE SUFFICIENT ONLY AT CHRISTMAS, EASTER AND A
FEW OTHER TIMES EACH YEAR.

6. ADDING TO THE PLANNERS'--AND POLITICIANS'--WOES IS
THE FACT THAT THE POLE'S INCOME ELASTICITY FOR MEAT IS VERY
HIGH AND HIS PRICE ELASTICITY EXTREMELY LOW IN COMPARISON
TO WESTERN COUNTRIES. CONSEQUENTLY, RELATIVELY LARGE
SHARES OF REAL INCOME GAINS ARE DEDICATED TO MEAT PURCHASES,
AND MASSIVE PRICE CHANGES ARE REQUIRED TO GENERATE SHIFTS
IN THE CONSUMPTION PATTERN. THIS WAS PART OF THE RATIONALE
FOR THE LARGE PRICE HIKES WHICH WERE SO ROUNDLY REJECTED
BY THE WORKERS LAST JUNE.

7. IN THE ABSENCE OF POLITICALLY DANGEROUS PRICE INCREASES
OR AN UNFORESEEN SHIFT IN CONSUMER TASTES TOWARD MEAT
SUBSTITUTES, THE REGIME WILL BE HARD PRESSED TO SATISFY
EVEN THE MINIMAL DEMANDS OF THE POPULACE. GIVEN THE
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CONVICTION OF THE MAN IN THE STREET THAT ALL (OR MOST) OF
WHAT IS GOOD IS EXPORTED, THE GOP'S EFFORTS TO INCREASE
SUPPLIES BY FOREGOING EXPORTS MAY WIDEN ITS PUBLIC RELATIONS
TAP, WHILE AT THE SAME TIME WORSENING ITS BALANCE OF PAYMENTS.
WHEN THE REGIME CAVES IN TO PRESSURES OF THE POPULATION

AND PRODUCTS PREPARED FOR EXPORT APPEAR ON THE MARKET AT HOLIDAY TIMES, IT RECONFIRMS THE AVERAGE POLE'S BELIEF THAT EVERYTHING GOOD ACTUALLY IS EXPORTED AND THAT ONLY SECONDS ARE LEFT FOR HIS CONSUMPTION. (COMMENT: POLES PREFER TO BELIEVE THAT MOST SHORTAGES, SUCH AS THOSE OF SUGAR, COAL, AND MEAT, RESULT FROM EXCESSIVE SHIPMENTS TO THEIR SOVIET NEIGHBOR. END COMMENT)

8. THE GOP'S EFFORTS TO REORIENT CONSUMER TASTES ARE HALTING AND AMATEURISH. ADVERTISING IS PRIMITIVE, AND THERE IS LITTLE USE OF THE MEDIA TO EDUCATE CONSUMERS THAT MILK, EGGS, AND CHEESE ARE GOOD ALTERNATIVES TO PORK AS SOURCES OF PROTEIN. ONE SMALL STEP TOWARD REDIRECTING SHOPPERS AWAY FROM THE PURCHASE OF FRESH MEAT IS THE INTRODUCTION OF FAST FOOD OUTLETS. A NUMBER OF "HAMBURGERY" RESTAURANTS HAVE BEEN SET UP TO SELL HAMBURGERS HEAVILY LACED WITH SOYBEAN MEAT EXTENDER. "COLONEL SANDERS" TYPE FRIED SHICKEN SHOPS REPORTEDLY WILL BE OPENED TO ACQUAINT POLES WITH A NEW WAY OF PREPARING A MEAT THAT CAN BE PRODUCED MUCH MORE EFFICIENTLY THAN EITHER BEEF OR PORK. SERIOUS DISCUSSIONS ARE ALSO UNDER WAY WITH US FIRMS IN THE PRE-COOKED MEAL FIELD TO PROVIDE STORES AND FACTORY CAFETERIAS WITH "TV DINNERS" WHICH WOULD BE ATTRACTIVE AND CONTAIN LESS RED MEAT THAN TRADITIONAL POLISH FARE.

9. THE GOP IS ALSO HOPING THAT AS NEW PRODUCTS FROM POLAND'S TURNKEY PROJECTS COME ON STREAM, THEY, RATHER THAN MEAT, WILL ABSORB MOST OF ANY GAINS IN DISPOSABLE INCOME. TO REINFORCE THIS, THE LID IS TO BE KEPT ON LIMITED OFFICIAL USE

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WAGE INCREASES IN 1977, WITH THE PLAN CALLING FOR NOMINAL INCREASES OF ABOUT 4 PER CENT AND A REAL GROWTH OF ONLY 2 PERCENT. THE SERVICE SECTOR IS ALSO TO BE EXPANDED GREATLY, AND THIS TOO IS AIMED AT DAMPENING DEMAND FOR FOOD PRODUCTS.

10. COMMENT: THERE ARE NO EASY AND QUICK SOLUTIONS TO POLAND'S MEAT SUPPLY SITUATION. MEAT AVAILABILITIES HAVE NEVER FULLY MET THE POPULATIONS EFFECTIVE DEMAND AT THE LOW, GOVERNMENT-SET, CONSUMER PRICES. LINES AND PERIODIC SCARCITIES PROBABLY WILL REMAIN STANDARD TECHNIQUES FOR HANDLING MEAT SUPPLY DEFICIENCIES, UNLESS THE GOP TAKES THE UNANTICIPATED AND DANGEROUS STEP OF RAISING PRICES BY 70 TO 100 PERCENT. NEVERTHELESS, THE CURRENT PIECEMEAL APPROACH TO THE MARKET AND AND SLOWER INCOME GROWTH, REDUCED MEAT EXPORTS, INCREASED IMPORTS AND GREATER AVAILABILITY OF LOCALLY PRODUCED CONSUMER GOODS AND

SERVICES--SHOULD KEEP A DIFICULT SITUATION FROM
BECOMING EXPLOSIVE FOR THE FORESEEABLE FUTURE. END COMMENT.

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